

No. 18899

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**UNITED STATES OF AMERICA  
and  
PHILIPPINES**

**Agreement for sales of agricultural commodities (with  
agreed negotiation minutes). Signed at Manila on  
6 August 1979**

*Authentic text: English.*

*Registered by the United States of America on 30 May 1980.*

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**ÉTATS-UNIS D'AMÉRIQUE  
et  
PHILIPPINES**

**Accord relatif à la vente de produits agricoles (avec procès-  
verbal commun de négociation). Signé à Manille le  
6 août 1979**

*Texte authentique : anglais.*

*Enregistré par les États-Unis d'Amérique le 30 mai 1980.*

AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES FOR SALES OF AGRICULTURAL COMMODITIES

The Government of the United States of America and the Government of the Republic of the Philippines have agreed to the sales of agricultural commodities specified below. This Agreement shall consist of the preamble, parts I and III of the Agreement signed on August 24, 1978,<sup>2</sup> together with the following part II.

PART II. PARTICULAR PROVISIONS

Item I. COMMODITY TABLE

Commodity	Supply period (United States Calendar Year)	Approximate maximum quantity (metric tons or bales)	Maximum export market value (millions)
Wheat/wheat flour (wheat basis) . . . .	1979	35,000	Dols. 5.4
Cotton (Upland) . . . . .	1979	10,000	Dols. 3.4
Tobacco . . . . .	1979	260	Dols. 1.2
TOTAL			Dols. 10.0

Item II. PAYMENT TERMS: DOLLAR CREDIT (DC)

- A. Initial payment: ten (10) percent.
- B. Currency use payment: fifteen (15) percent for 104 (a) purposes.
- C. Number of installment payments: nineteen (19).
- D. Amount of each installment payment: approximately equal annual amounts.
- E. Due date of first installment payment: two (2) years after date of last delivery of commodities in each calendar year.
- F. Interest rate throughout period of Agreement: three (3) percent.

Item III. USUAL MARKETING TABLE

Commodity	Import period (United States Calendar Year)	Usual marketing requirement
Wheat/wheat flour (wheat basis) . . . . .	1979	631,000 metric tons
Cotton . . . . .	1979	133,000 bales of which at least 117,000 bales shall be imported from the United States of America
Tobacco . . . . .	1979	8,000 metric tons of which at least 5,300 metric tons shall be imported from the United States of America

<sup>1</sup> Came into force on 6 August 1979 by signature, in accordance with part III (A).  
<sup>2</sup> United Nations, *Treaty Series*, vol. 1150, No. I-18091.

#### Item IV. EXPORT LIMITATIONS

A. *Export limitation period.* The export limitation period shall be the United States Calendar Year 1979 or any subsequent U.S. Calendar Year in which the commodities financed under this Agreement are being imported or utilized.

B. *Commodities to which export limitations apply.* For the purposes of part I, article III A (4), of this Agreement, the commodities which may not be exported are: for wheat/wheat flour — wheat/wheat flour, rolled wheat, semolina, farina and bulgur (or same products under a different name); and for cotton — cotton and cotton textiles (including yarn and waste).

#### C. *Permissible exports*

<i>Commodity</i>	<i>Quantity and conditions</i>	<i>Period exports permitted</i>
Cotton textiles	Two (2) million square yards of cotton textiles not including consignment textiles. If this export quantity is exceeded, an additional quantity of cotton at least equal to the raw cotton equivalent in weight of such cotton textile exports will, in addition to the U.S. portion of the UMR provided in Item III, be imported from the United States into the Republic of the Philippines and paid for with the resources of the importing country, but such offset purchase requirement need not exceed the level of total Title I P.L. 480 imports during the supply period	During U.S. Calendar Year 1979 and any subsequent comparable supply period during which cotton purchased under this agreement is being imported or utilized

#### Item V. SELF-HELP MEASURES

The Government of the Republic of the Philippines will continue to place specific emphasis on actions contributing directly to development progress in poor rural areas and on enabling the poor to participate actively in increasing agricultural production through small farm agriculture. The GOP intends to support the following development programs:

#### A. Continue efforts to achieve progress in agricultural production through:

1. An integrated agricultural production and marketing program including research, training and improvement of extension programs to contain the following:
  - a. Further assistance to a number of small farmer activities designed to make a direct impact on the lives of the rural farm community;
  - b. Improvement of transportation, storage and food handling facilities throughout the country;
2. Improvement and expansion of small-scale irrigation projects;
3. Establishment of rural service centers, including equipment pools;
4. Production and distribution of improved seeds;

5. Analysis of agricultural policies from the standpoint of their effect on production incentives and rural income;
- B. Increase or improve storage facilities for food grains, giving separate consideration to port areas, other terminal locations and market towns;
- C. Improve the marketing system for farm products and production inputs to insure market outlets, lower costs, reduce product waste and insure that inputs are available on a timely basis; marketing activities will include efforts to establish sound farmer cooperatives through provision of credit and through training;
- D. Continue with activities of the national family planning outreach project;
- E. Provide financial support to local governments that submit feasible development projects beneficial to the people in their jurisdiction;
- F. Continue support to the Philippine National Nutrition Program;
- G. Provide funding for low-cost potable water supply and delivery systems; the focus of these activities is on better health and greater productivity of the rural poor through the development of safe water;
- H. Implement countrywide projects designed to reforest denuded land and improve cropping systems for swidden areas;
- I. Improve the general socio-economic well-being of Filipino artisan fishermen-farmers through the Artisan Fisheries-Agriculture project whose purpose is to establish viable, self-sustaining community systems for improving levels of living;
- J. Continue with the integrated health delivery systems of the Panay Island Unified Services for Health (PUSH) project including nutrition and population programs;
- K. Continue with the construction of rural elementary schools which will be used for outreach programs in agriculture, population and nutrition as well as trade education activities;
- L. Establish an emergency fund to support ongoing humanitarian assistance feeding programs, disaster relief operations, inland transportation needs plus other small development projects.

**Item VI. ECONOMIC DEVELOPMENT PURPOSES FOR WHICH PROCEEDS ACCRUING TO THE IMPORTING COUNTRY ARE TO BE USED**

A. The commodities provided hereunder, or the proceeds accruing to the importing country from the sale of such commodities, will be used for the following projects/programs which directly benefit the needy people of the importing country:

1. The following self-help measures set forth in Item V of the Agreement:
  - a) Item V, D: National family planning activities;
  - b) Item V, F: Philippine national nutrition activities;
  - c) Item V, G: Project 0309 — Local Water Development;
  - d) Item V, H: National agro-reforestation activities;
  - e) Item V, J: Project 0312 — Panay Unified Services for Health (PUSH);
2. The following other Projects/Programs:
  - a) Project 0295 — Economic and Social Impact Analysis/Women in Development;
  - b) Project 0319 — Bicol Integrated Health, Nutrition and Population;

- c) Project 0322 — Freshwater Fisheries Development;
- d) Project 0333 — Barangay Water II;
- e) NEDA *Ad Hoc* Committee on Utilization of U.S. Bases Areas;
- f) GOP Development Projects involving Private Voluntary Organizations (PVOs);
- g) GOP Development Projects involving Peace Corps Volunteers (PCVs);
- h) Construction and improvement of port handling facilities and warehousing to insure domestic and imported products are properly safeguarded and protected.

B. The Projects/Programs identified under VI, A, above will directly benefit the needy in the following ways:

1. By developing improved, ecologically sound agriculture-forestry production systems thereby enabling poor hillside farmers to improve their livelihood and cultivation practices through the uses of appropriate technologies which (1) increase crop and tree production by more suitable interplanting and rotation practices; (2) improve conservation of soil and water management; (3) upgrade land and pasture use management; and (4) provide fuel wood as a relatively inexpensive energy source and raw materials for increased cottage industry output;
2. Provide some local currency inputs for free family planning services and other programs designed to reduce the Philippine population growth rate; target for this service in 1980 is approximately 2 million couples; the majority of this group are from the rural and urban poor;
3. To assist with the institutional and physical development of national and local water utilities districts in order to provide potable water to low income communities;
4. Supplement funding for an integrated health services development project on Panay Island which is designed to benefit an estimated 340,000 poor people in 61,200 households on that island; included in this number are 10,000 third degree malnutrition children;
5. Aid in the creation of effective rural service delivery systems to include improved sanitary environment and household water supplies; the project beneficiaries are a segment of the society living in abject poverty in one of the poorest regions, the Bicol;
6. Support projects to further strengthen the GOP to operate an integrated municipal level nutrition oriented, local food production and assistance program focused on the least advantaged income groups;
7. Utilize pesos in programs designed to increase freshwater aquaculture production which will increase incomes of small farmers and small fish producers;
8. Contribute to efforts for institutionalizing the capability of selected local government units to identify, plan, organize and install functional barangay cooperative water systems with their own maintenance capacity in low income rural farming communities;
9. Utilize peso resources to fund feasibility studies for those areas surrounding U.S. bases in the Philippines; the design of these studies will be aimed at creating more opportunities for improving the economic well-being of the poor;
10. Contribute peso support to projects [on] basic human needs of rural communities and implemented in conjunction with the Voluntary Agencies and/or Peace Corps Volunteers;

11. Generated pesos will be utilized in countrywide programs designed to improve the port handling, storage and transportation facilities to insure domestic and imported products are properly safeguarded and protected; small farmers, especially, can benefit in that local market facilities will be improved for assisting the expeditious transfer of domestically produced food products such as rice, corn, etc., from farm to market.

C. The gross proceeds generated from the sale of all the commodities in this Agreement shall be deposited in a special account for financing projects/programs outlined in paragraph A above. The allocation of proceeds from the special account for financing will be made by a team consisting of a representative of the National Economic and Development Authority (NEDA), Ministry of the Budget, and the U.S. Embassy Staff, Manila.

D. In addition to the report required by part I, article II, F, of this Agreement, the importing country agrees to report on how the projects/programs identified in item VI, A, above were used to benefit the needy. Such report shall be made by the importing country within six months following the last delivery of commodities in the first calendar year of the Agreement and every six months thereafter until all the commodities provided hereunder, or the proceeds from their sale, have been used for the projects/programs specified in item VI, A, above.

DONE at Manila, Philippines, in duplicate, this 6th day of August 1979.

For the Government  
of the United States of America:

[Signed — Signé]<sup>1</sup>  
Ambassador

For the Government  
of the Republic of the Philippines:

[Signed — Signé]<sup>2</sup>  
Minister of Foreign Affairs

AGREED NEGOTIATION MINUTES TO THE AUGUST 6, 1979, PHILIPPINE  
PL 480, TITLE I, AGREEMENT

Date negotiated: July 16, 1979

*Panel members*

*Philippines*

Mrs. Angelina Z. Tiangco, Chairperson, CB  
Mr. Sebastian P. Nuguid, NEDA  
Ms. Alpha Dayot, MFA  
Mr. José Roberto Javier, MFA  
Mr. Joseph Edralin, IPDI/DBP  
Mr. Vicente Coloso, Min. of Trade  
Mr. Raymundo Tomas, Min. of the Budget  
Mr. Adriano Lorenzana

*United States*

Mr. Edson Kempe, USEmb/EC/COM, Chairperson  
Mr. John Riesz, USEmb/AGR  
Mr. Daniel Leaty, USAID/PO  
Mr. William F. Doody, USAID/NUTN

<sup>1</sup> Signed by Richard W. Murphy — Signé par Richard W. Murphy.

<sup>2</sup> Signed by Carlos P. Romulo — Signé par Carlos P. Romulo.

*Others present:*

Mr. Eduardo Magahis, CB  
Ms. Aurora A. Venturanza, MFA  
Mr. Tranquilino P. Ventura,  
MARINA  
Mr. Maximiano R. Tom, Phil. Natl.  
Lines  
Mr. Romeo Lacson, NGA  
Mr. Ricardo Mercado, NGA  
Mr. Pablito Valencia, NGA  
Plus a PVTA Representative

1. The initial and only formal negotiating session were begun at 1430 hours at Central Bank Headquarters, Manila, R.P. Brief introductions of both the Philippine and U.S. negotiating terms [were] made by the respective chairpersons. Mrs. Tiangco of the Philippine panel then proceeded with an opening statement in which she emphasized the following:

*a.* There was a need to clarify the phrase “effective date of this Agreement”. Attention was called to part III of the August 24, 1979, \* Title I Agreement, which by reference, is incorporated as part of this Agreement under negotiation. Upon review the Philippine panel concurred that the effective date was the date the Agreement is signed by representatives of the Government of the Philippines and the United States.

*b.* A request was made to modify the terms of part I, page 2, para F, 2nd sentence, with the amendment to read as follows:

“The ocean freight differential is deemed to be the amount, as determined by the Governments of the exporting and IMPORTING [country] COUNTRIES, by which the cost of ocean transportation is higher (than would otherwise be the case) by reason of the requirement that the commodities [be] transported in United States flag vessels.”

Or, alternatively, the pertinent portion to read as follows:

“x x x as determined by the Government of the exporting country IN ACCORDANCE WITH GUIDELINES AND PROCEDURES TO BE AGREED UPON BETWEEN THE GOVERNMENTS OF THE EXPORTING AND IMPORTING COUNTRIES x x x.”

It was pointed out U.S. Public Law 664 contains the requirement for at least 50 percent of the freight moving on U.S. bottoms and the determination for freight differential was vested in USDA. However, this is a joint effort. The Philippines will be responsible for the freight booking subject of course to rate reviews by USDA. On the basis of additional discussion of this matter including other sections of article I, part I, the Philippines agreed not to modify the wording in the draft of the Agreement but to have the agreed interpretation included in these minutes.

It was agreed that (*a*) in the case of chartered vessels, the differential shall be the difference between the lowest acceptable freight/charter hire offered at the public tender using a U.S. flag vessel/vessels and the lowest acceptable freight/charter hire offered in the same public tender using non-U.S. flag vessel/vessels; and (*b*) in the case of liner vessels, the differential shall be the difference between the lowest net freight charges of a suitable U.S. liner flag vessel available for the carriage of the

\* Should read “August 24, 1978” [— Devrait se lire «August 24, 1978»].

commodities and the lowest net freight charges of a suitable non-U.S. liner flag vessel available for the same purpose.

c. The following addition to paragraph G, article I, part I, was presented:

“Net of the ocean freight differential to be borne by the Government of the Exporting Country.”

The U.S. panel clarified that the U.S. made dollar inputs to both the commodity and freight letters of credit opened to support purchases and deliveries, and that in practice the LCs opened by Philippine purchasers of commodities under the Agreement have already been “net of the ocean freight differential to be borne by the U.S. Government.” The matter was further cleared up by a review of the preceding paragraph F and inputs by members of both panels experienced in Title I operations.

d. Since the Agreement provides that 50 percent of the Title I commodities are required to be transported by U.S. flag vessels, the Philippine panel requested the following provision on the use of RP flag vessels:

“Approximately 50 percent by weight of the commodities sold under this Agreement shall be transported in suitable flag vessels of the importing country when available in accordance with its laws.”

A rather lengthy discussion followed in which the U.S. panel reiterated that the choice of freight line was the responsibility of the Philippines and therefore the GOP could maximize the use of their own vessels. But there are occasions when more than 50 percent U.S. flag vessels will be utilized. Offsets are then made in succeeding shipments to maintain the approximately 50 percent balance. Secondly, there will be occasions in which Philippine flag vessels will not be available to lift commodities within the prescribed time frame of the Agreement. Therefore other foreign ocean carriers must be contracted for. Following some additional discussion it was agreed not to modify the existing freight clause of the Agreement but to note the proposal in these minutes, since under the Agreement, the Philippine Government has the discretion to use Philippine flag vessels for the balance of the commodities not carried by U.S. flag vessels.

e. A proposal was also made that the prepayment of the principal should be subject to prior Philippine Central Bank approval. Both panels agreed that prepayment can only be exercised by the Philippine Government, so that the proposed provision need not be included in the Agreement.

f. There was a question raised concerning the need to include “wheat flour” as part of the commodity description in item I, part II. An explanation followed that the choice of commodities rests with the Philippine Government.

g. A request was made to modify part II, item II, Payment terms: dollar credit (DC) “by reducing the initial payment from 10% to 5%” and the “grace period from 2 to 5 years”. The U.S. panel pointed out that this modification was proposed in the Agreements of 1977 and 1978 and rejected, and explained the reasons why. In addition, continuing inflationary and budgetary constraints leave little chance for obtaining more favorable financial terms. The Philippine panel then agreed to withdraw its request for modification.

h. It was agreed that the following provision is to be added as paragraph C, item VI, part II, of the proposed 1979 Title I Agreement:

“C. The gross proceeds generated from the sale of all the commodities in this Agreement shall be deposited in a special account for financing projects/programs outlined in paragraph 4 above. The allocation of proceeds from



the special account for financing will be made by a team consisting of the representative of the National Economic and Development Authority (NEDA), the Ministry of the Budget and the U.S. Embassy Staff, Manila.”

2. The Chairman of the U.S. Panel made an opening statement and then proceeded to emphasize and discuss the following:

- a. That parts I and III are included in this Agreement by reference;
- b. Of primary importance was part II, item VI, in which both Governments must identify and agree to the basic human needs projects and programs the resources from this Agreement will be applied [to]; further that the agreed section must still be forwarded to Washington for approval before its incorporation into the Agreement;
- c. A brief was presented on the commodity composition and the background of the allocation to the Philippines;
- d. Financing for the commodities would come from the FY 1979 Title I budget, therefore shipments from the U.S. were requested to be made prior to September 30, 1979;
- e. UMR and export limitations were explained and discussed in some detail;
- f. It was stressed that letters of credit for both the commodity and freight must be opened promptly after appropriate contracts were executed;
- g. A brief was presented citing that if commodity market prices rise, the dollar amounts in the agreement will govern; if prices decline, commodities could only be procured in the quantities outlined in part II;
- h. Again the importance of item VI was stressed and both panels agreed to the draft provisions to make up paragraphs A, B, C, and D of item VI, part II, of the new Agreement;
- i. The reporting requirements of the new agreement covering UMR, self-help and item VI were presented in a brief;
- j. The GOP panel was requested to provide:
  - (1) The type and grade of commodity(ies) to be purchased;
  - (2) Proposed contracting and delivery schedules;
  - (3) Names of banks, U.S. and foreign, which will handle financing operations.

3. At the conclusion of the formal session, both sides agreed to the modified terms of the Agreement. The Philippine panel declared their intent to complete the signing on/or prior to July 20, 1979. However, the U.S. panel advised of the need to cable Washington the results of the negotiating session and also present details for inclusion of the new item VI, part II. Once the necessary replies are obtained from Washington, the signing date can be determined.

[Signed]

ANGELINA Z. TIANGCO  
Chairperson  
Philippine Panel

[Signed]

EDSON W. KEMPE  
Chairperson  
U.S. Panel